

Now that the FCC and Justice are opposed to AT&T's T Mobil merger as they should be I urge for the following investigation into AT&T and Verizon to also occur.

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To read the full analysis: <http://www.newnetworks.com/attharms.htm>

- * AT&T Declares War on Consumers. AT&T Wants to Murder Ma Bell. AT&T Declares Death to Landlines.
- * AT&T has manipulated the data about losing phone lines.
- * Are you owed \$2,500.00 for a fiber optic service you never received?
- * Is AT&T and Verizon Illegally Strip-mining America's Utilities---The "Public Switched Telephone Networks"?

No matter how you say it, AT&T and Verizon have declared war on customers. You've been a prisoner so long you have "Stockholm Syndrome" (when you believe your captors are your friends) and don't even know that you, your family, friends and the country have been had.

And there is a battle over the future of America's critical infrastructure and economy, not to mention raising prices and taxes ? and America is about to lose.

What's going on? AT&T has submitted a proposal to the FCC, claiming that AT&T is a poor company losing phone lines and they want to get rid of the old landlines, the utilities, the Public Switched Telephone Networks (PSTN). Gigacom writes: <http://gigaom.com/2009/12/30/att-to-fcc-let-my-landlines-go/>

"Ma Bell asked the FCC to eliminate regulatory requirements that it support a landline network and to provide a deadline for phasing it out.... The (almost) one in five Americans relying exclusively on a plain old telephone line should prepare to kiss that wall jack goodbye as the major wireline telephone providers back away from that dying (and expensive business.?"

The writer adds: "However, AT&T in its filing doesn't offer a way to bridge the gap for that 20 percent of Americans relying only on landlines, nor does it address what an all-IP future means for the 33 percent of Americans who have access to broadband but do not subscribe (although those broadband laggards might be paying for a digital voice product from a cable provider)."

And we need to make something clear: AT&T now claims there are really 2 networks: AT&T and AT&T = AT&T. They write:

"Congress's goal of universal access to broadband will not be met in a timely or efficient manner if providers are forced to continue to invest in and to maintain two networks."

AT&T's entire point is that the "PSTN" or "POTS", ("plain old telephone service"), is from a 'by-gone era' that they are forced to support, as opposed to the new, bright and shiny broadband networks.

To read the AT&T filing: <http://www.newnetworks.com/attharms.pdf>

Time to take off the blindfolds.

There is only one network, the utility, which was never upgraded, even though the companies collected billions and the 'new' second network is simply a regulatory slight to give AT&T and Verizon more control and more of your money. Price increases, less competition, slow broadband, net neutrality problems, and harm to the economy are just some of the outcomes.

Let me give you an example of what has transpired and where we are today --- a new highway system.

Your state wants an upgraded highway system. There is only one contractor allowed to bid and who is given the job. They are paid billions, but after a decade, they only build some on-off ramps and fix the shrubs; the old highway is still there. The contractor now goes back to the regulators who now say that the contractor can not only own what they build, but they will control it. Finally, the contractor now wants to tear down the old highway, may or may not replace it with their own, exclusive highway - a highway that can block different brands of cars on the roads, or put up tolls or both. And, the kicker is that the company has continued to get paid and now wants more money, either through taxes or higher tolls or both.

The first highway is the old highway, the one that was supposed to be upgraded. The new highway is the one controlled by the contractor, even though the state never got the money back nor took legal actions against the

company for breach of contract, but still gave up control to the contractor.

As we will discuss, the old highway, the first network, are the current state utilities, the essential, ubiquitous infrastructure of America. And while the state isn't paying for it through taxes, in this case phone customers pay the phone companies. Starting in the 1990's, in virtually every state, state laws were changed to pay for upgrades of the utility, which was never done. AT&T and Verizon now claim that because of bad deregulation by the previous FCC, all new networks are no longer phone and data networks (telecommunications) but 'broadband' networks, which are 'interstate information services', without the same obligations, and they are in control of this "second" network. Now, AT&T is saying it wants to get rid of the original obligations that the utility had, even though AT&T received billions per state to upgrade the Public Switched Telephone Networks - the wiring to every home, office, school, library and hospital. They also want more money and tax incentives as they claim they will build out the 'second network'.

The research shows that:

? There has been a serious manipulation of the data being presented by AT&T and Verizon, on everything from the number of lines to the supposed impacts from competition.

? Are you owed \$2,500.00 from AT&T and Verizon? America already paid an estimated \$320 billion for fiber optic networks AT&T, Verizon and Qwest never deployed and this payment is in the form of overcharging customers, tax breaks and other financial incentives. This money continues to be collected in many states.

? By 2010, almost all of America should have already been rewired with fiber-optic services, including rural and suburban, rich or poor communities, not to mention schools, libraries, hospitals and government agencies. America is 15th in the world in broadband because the companies didn't upgrade the networks to fiber optics.

? Prices have increased 90% since 2004 in New York, New Jersey and other states and those impacted the hardest by these increases are low-income, low volume users, such as seniors, Lifeline customers, small businesses; a long list.

? There is no serious competition in America for local service. If there was actual competition, prices couldn't continue to rise.

? Right now there is a 'hijacking' and a 'strip-mining' of America's

utilities, and these '2' networks are really a failure to properly upgrade the first network ? the Public Switched Telephone Networks.

? Local rate increases are being used to illegally fund the current broadband buildouts, like Verizon's FIOS and AT&T's U-Verse.

? Reality Check --- AT&T, right now has 1.7 million total U-Verse, broadband-TV capable households (AT&T 3rd/q2009). That?s it! They claimed they would have 18 million by 2007 (not counting BellSouth). AT&T now controls 22 states. If AT&T is going to walk away from the utility networks and we leave it up to AT&T to build out their 'broadband networks' ---one-half of the US is going to be harmed.

Let's be specific.

a) Data Manipulation

There's been a serious manipulation of the data being presented by AT&T and Verizon on everything from the number of lines to the supposed impacts from competition. An example: AT&T writes "From 2000 to 2008, the number of residential switched access lines has fallen by almost half, from 139 million to 75 million. Non-primary residential lines have 62% fallen by 62 over the same period.

Sounds terrible until you realize at the numbers are all made up; they don't include ALL of the other services that go over the copper wiring or all of their lines. And there are hundreds of millions lines not counted by AT&T and Verizon called "special access" lines. These include alarm circuits or business Centrex, not to mention or DSL or U- Verse. (There is also a detail; the statement says ?switched? vs special access, which are ?non-switched?, but still access lines.)

The FCC last published report in 2007 showed that "special access" lines since 2000 have gone up a whopping 37%. Meanwhile, according to AT&T's 3rd Quarter 2009 report, AT&T had 15.6 million broadband connections, meaning mostly ADSL, a product that can only travel over the old copper wiring. And over 40% of the drop in 'non-primary' residential lines, meaning second lines', are directly attributed to customers dropping their second lines when they can have Internet and broadband over the same wire as phone service.

We've written about this manipulation.

<http://www.newnetworks.com/Accesslines.htm>

There is also no recognition in these numbers that since 1996, AT&T (formerly SBC) is now offering multiple services over the copper wire --- including local, long distance, and DSL/U-Verse/Broadband, as well as Internet Service --- multiple revenue streams over the same wire.

AT&T also claims "Today, less than 20% of Americans rely exclusively on POTS for voice service". (POTS being plain-old-usability-based telephone service.

AT&T obviously is not talking about their own customers. (NOTE: AT&T is not quoting their own statistics, but using the FCC and other third party sources.)

In our surveys of customers' bills in San Diego California, where we collected actual phone, cable, wireless, broadband bills, the only serious competitor to AT&T was the cable company, which had only 20% of the local phone market. The other 80% of those surveyed had either AT&T or some other small competitor (*less than 10%) that still used the AT&T wires to deliver their calls. It's clear that the 20% is simply a shell game leaving out categories of services. If not, AT&T should supply the information about the 80% of the lines in use.

AT&T also states that they are being hit by wireless calling. Doesn't AT&T remember that AT&T and Verizon are the largest wireless providers as well, so even if the customer uses the cell phone, they still get the customers.

See our San Diego survey done with UCAN, and CA-based consumer advocacy group.

<http://www.newnetworks.com/ucanstudy.htm>

b) Are You Owed \$2,500 from AT&T and Verizon?

In December, 2009 New Networks released a report "The History, Financial Commitments and Outcomes of Fiber Optic Broadband Deployment in America, 1990- 2004. The Wiring of Homes, Businesses, Schools, Libraries, Hospitals and Government Agencies".

<http://www.newnetworks.com/FCCCITIBroadband.htm>

The FCC requested Columbia's CITI group to create a report on the history of broadband, including announcements and outcomes. Our report enhances that report and covers 1990-2004. We outlined 26 states' 'incentive regulation' plans and though it varies by state, many states had plans to rewire entire states with a fiber optic broadband services covering every home, office, school and library by 2010. The report is based almost entirely on information supplied by AT&T, Verizon and Qwest, from annual reports to state filings, etc.

The Report: <http://www.newnetworks.com/FCCCITIBroadband.htm>

Complimenting that report, In our report, "25th Anniversary Analysis of Key Financial Indicators of AT&T, Verizon and Qwest", published March 2009, we estimated(*based on tracking for 25 years)

that America already paid about \$320 billion for fiber optic networks AT&T and Verizon never deployed, and this payment is in the form of overcharging customers, tax breaks and other financial incentives?and it continues to be collected in many states.

But let's get back to the real issue --Are you owed \$2,500.00 by AT&T or Verizon for a fiber optic service capable of 45mbps in both directions? Though it varies by state, each state cut a deal with the phone company --- in exchange for removing the caps on profits, the new profits were to be used to upgrade the existing networks. Also, the companies' commitments were to spend billions. Pacific Bell (now part of AT&T) in California claimed it would spend \$16 billion and have 5.5 million homes finished by 2000. Bell Atlantic, (now part of Verizon), claimed it would spend \$11 billion on 8.75 million homes. Unfortunately, both companies spent less than 2% of the announced amounts on fiber optic broadband by 2000.

In our now free ebook "\$300 Billion Broadband Scandal", which was the basis of our recent reports, we go through all of the information pertaining to the monies collected through 2005.

To read the book: <http://www.newnetworks.com/broadbandscandals.htm>

If you had service from Verizon or AT&T, you were charged a defacto- broadband tax. The low estimate is about \$2500 a household.

The networks weren't upgraded yet billions of dollars and tax perks accrued ?and the money is still being collected. In New York state, customers have been hit with 90% increases since 2004 on virtually all local services, from 'basic service' to Call Waiting or inside wiring. In June 2009, the New York State Department of Public Services stated that they were allowing Verizon to raise their rates to pay for "fiber optics", yet the only company that can use the upgrades is Verizon, which is deploying FIOS. However, the upstate rural and suburban customers who also got the rate increases will never benefit as Verizon has said that only 70% of their territories will be upgraded, at best.

There is one irony. The FCC claims that it would cost about \$350 billion to give everyone 100 mbps services. By 2010 everyone was supposed to have 45mbps services in both directions -- and that speed was the 'minimum'speed as of 1992. According to speedmatters.org, the average broadband speed in the US is 5.1 Mbps download and 1.1 Mbps upload. And yet, the FCC and Congress are considering giving the phone companies more money, instead of confronting them about customer's broadband-funding currently underway.

If they already collected \$320 billion, maybe the FCC should follow our repeated requests to investigate the customer-broadband funding monies being collected.

Just to drive home what we didn't get and why AT&T and Verizon harmed America ? today, in Hong

Kong, you can get 100 mbps bi-directional services for \$20, and many other countries offer 100 Mbps services today.

c) There is no competition in America today for local service, much less Internet and broadband.

AT&T and Verizon now control the majority of US households, (though Qwest has less populated states in the northwest). While both were supposed to be seriously competing with each other for wireline service, it never happened.

According to the cable association, NCTA, there are only 21 million cable-phone customers, out of 123 million homes. Verizon and AT&T combined only have 4+ million homes that have been upgraded and handle cable-etc. services. Wireless-only households is estimated at 15%-20%, but AT&T and Verizon are also the largest cell phone providers. Thus, the cablecos are still a monopoly, telephone is still a monopoly, and the phone and cable companies split broadband and Internet --- by blocking the other competitors from using their networks with the help of the previous FCC. And, because of bundling, AT&T and Verizon are still the largest providers of long distance services.

While others quote information about VOIP, using the Internet for phone service, like Skype and Vonage -- all VOIP today still requires a broadband connection. A customer buys a package to get the lower prices, so VOIP is usually an addition to, not a substitution of the packaged local and long distance

D) Are AT&T and Verizon Illegally Strip-mining America's Utilities?

While AT&T would like America to think that there are 2 AT&T networks, the truth of the matter is there's just one network that has never been properly upgraded ? the PSTN, the public switched telephone networks.

However, over the last decade there's been a shifting of money out of the utility to fund Verizon's and AT&T's other projects, including what they are currently building, Verizon's FIOS and AT&T's U-Verse. If the 'broadband networks' are separate companies, then why hasn't the 'cross-subsidization' of the broadband networks been stopped to make sure that the utility networks were being properly upgraded?

And let us be clear, the original changes in state laws were for the utility, the PSTN, to be upgraded: New Jersey state law:

"D. NJ BELL'S PLAN FOR AN ALTERNATIVE FORM OF REGULATION MAY 21, 1992 --- NJ Bell's plan declares that its approval by the Board would provide the foundation for NJ Bell's acceleration of

an information age network in New Jersey and referred to by NJ Bell as 'Opportunity New Jersey' Opportunity New Jersey would accelerate the deployment of key network technologies to make available advanced intelligent network, narrowband digital, wideband digital, and broadband digital service capabilities in the public switched network, and thereby accelerate the transformation of NJ Bell's public switched network, which today transports voiceband services (voice, facsimile and low speed data), to a public switched network, which transports video and high speed data services in addition to voiceband services."

The clearest example of this transfer - When Verizon puts in its FIOS product, it cuts the utility copper wiring (which is counted as a loss of a line) and the customer is then transferred to this new broadband product --- stripping away utility property for the new 'second' network.

Today, almost 60% of wireline capital expenditures is supposedly going to pay for broadband upgrades. Yet, it is being funded by increasing local rates. And we note that the 'total expenditures' for network construction as a percentage of revenue has been dropping - i.e., they spent more in the 1980's when they were forced to use the excess profits for construction or to 'give it back' and lower rates.

Who's actually, then paying for these upgrades? It is seniors, Lifeline customers, small businesses, residential customers, who may never get or want these new broadband networks. And it's worth repeating --- Rural residents should be particularly annoyed when they learn that their areas are not going to be upgraded as Verizon said it would only upgrade 70% of its networks.

The other issue should be --- if there is a second network, why isn't Verizon and AT&T's other network and services not considered competitors who should be paying for the network services they use? When a competitor uses the networks, they must pay expensive wholesale charges. AT&T and Verizon have also given their 'broadband' network a free ride - for example, when the utility sends out its monthly insert, it includes advertising for these other products. From staffing, advertising, construction budgets, the list goes on and on of how AT&T and Verizon have taken advantage of the utility customers, and directly harmed the network infrastructure.

What should happen next: Get the Money Back or Upgrade the First Network, the PSTN, or give the public the back the utility.

We need to be clear that AT&T's filing is focused on arcane issues and definitions over broadband and "VOIP", but the bottom line is this is about throwing the utilities under the steamroller and customers with it. AT&T wants to control the Internet, control broadband, control wireless, and views

customers as marks to be taken advantage of. They are focused on stock prices over public interest. And no wonder, the 2 top AT&T executives for 2007-2008 made \$69 million in executive compensation, including stock options.

The situation today needs to be fixed, not the coddling AT&T and Verizon. Examine the actual phone bills of customers and it is clear that AT&T's goal is to 'harvest' all customers who don't go on more expensive packages. Harvesting meaning raising rates until the customer leaves or is getting gouged. AT&T's basic one minute long distance rate is currently \$.42 a minute. Since customers' don't read their phone bills and most just pay them, this intentional way to rip off customers is just one of the many ways AT&T cares about its customers.

And now AT&T wants to get rid of the 22 state utilities so that they can own and control what they build, if anything?

We repeatedly called on the FCC to investigate the customer-funding of the broadband networks. Maybe before they give away and destroy America's utilities they should at least investigate the issues surrounding the First Network, the Public Utility Networks.